



City of San Diego

**CARL DEMAIO**  
CITY COUNCILMEMBER –DISTRICT 5

## MEMORANDUM

DATE: January 12, 2008

TO: Mayor and City Council

CC: City of San Diego's Small Business Advisory Board

FROM: Councilmember Carl DeMaio *Carl DeMaio*

RE: Small Business Tax and Regulatory Relief Proposals

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During this time of economic downturn, the City of San Diego ought to do everything it can to support local job creation and retention—particularly in the self-employment, real estate, and small business sectors of the local economy. I appreciate that the Mayor and my colleagues on the City Council share this goal.

I'd like to draw your attention to complaints my office has received regarding the city's **Business Tax Certificate** and **Rental Unit Business Tax** programs. Due to new data-sharing approaches being used by the City Treasurer, thousands of San Diegans are being sent delinquency notices—complete with late fees, penalties, and surcharges. (See Attachment 1)

While I recognize the need for compliance enforcement by the City Treasurer, the challenging economic climate has led me to suggest that the Mayor and City Council review these two programs for possible reform—with some measure of tax relief enacted on or before April 15, 2009. Reforming these two tax requirements would be part of a broader four-point Small Business Tax and Regulatory Relief Proposal that includes 1) Tax Relief, 2) Compliance Education and Outreach, 3) Public-Private Partnerships, and 4) Regulatory Relief.

The **Business Tax Certificate** impacts anyone engaged in a business activity within city limits—including self employed individuals and independent contractors. Approximately 75,000 certificate holders are small businesses alone, comprising 92% of all certificate holders in San Diego. As some San Diegans are laid off from larger corporations, many are turning to self-employment to make ends meet—requiring them to pay this tax.

The **Rental Unit Business Tax** is imposed on anyone who owns, operates, or manages the rental of any residential real estate. The local real estate market is under significant distress with many property owners facing negative equity and struggling to make mortgage payments.

In FY 2008, the Business Tax Certificate and the Rental Unit Business tax jointly netted \$16.8 million in revenue.

### **Element 1: Tax Relief Options**

During the 1990's the City of San Diego committed to eliminate its business taxes—but succeeded only in cutting them. Given the city's fiscal challenges the Mayor and City Council may not be in the position to eliminate the entire tax at this time.

However, I believe we can focus our tax relief to assist bona fide **new** small business as well as reduce some of the penalties and late fees being imposed on recently started businesses that were unaware of the tax requirement. We may also be able to provide relief to individuals who are newly self-employed or are independent contractors.

In reviewing different options for reform, the San Diego Institute for Public Policy Research provided my office two models used by other cities:

*In 2005 Anaheim Mayor Curt Pringle established a 100 day "business tax holiday," waiving the business license tax from new businesses that registered with his city. The effort proved fruitful; more than 2,000 new businesses were formed within the three and a half month holiday, a 33% increase from the same time length the prior year. Mayor Pringle also included a tax amnesty provision in his holiday initiative, which 550 enterprises ultimately participated in, receiving a waiver from costly late fees, back taxes, and additional interest rate penalties.*

*Los Angeles has also successfully implemented such programs, hosting at least three license amnesty initiatives in the last fifteen years, including a 2001 program that yielded more than \$14 million in tax revenue and a six month tax amnesty that netted \$5 million in 2002. Now facing a \$440 million budget deficit, Los Angeles Mayor Villaraigosa is pressing for a new business tax amnesty that is projected to haul in approximately \$5 million beginning this fiscal year.<sup>1</sup>*

A properly structured tax relief package can actually bring in more revenue for the city (as Los Angeles anticipates) or be revenue neutral (as has been Anaheim's experience.) The City Treasurer has identified **23,290** potentially unregistered accounts that could be collected during a well-publicized Tax Amnesty/Holiday period. Tax relief can have a positive impact short term for effected small businesses, while generating more revenue for the city over the long term through expanded enrollment in the Business Tax Certificate program.

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<sup>1</sup> Vince Vasquez, San Diego Institute for Public Policy Research

Working with the Mayor's office, my office will examine and report back to the City Council on pros and cons of the following options:

- Elimination or reduction of elements of the Business Tax Certificate
- Tax Holiday (Limited Period)
- Tax Amnesty (Partial or Full)
- Exemption of self-employed and independent contractors (short term or permanent)

For your review, below is the breakdown of a typical liability statement being sent to small businesses. The city's efforts to collect unregistered accounts netted roughly \$2.5 million in revenue last year—with \$915,000 in late fees and \$324,000 in surcharge penalties. (See Attachment 2)

Sample FTB Tax Liability Statement						
	2005	2006	2007	2008	Additional Fees	Total
Business Tax	\$34.00	\$34.00	\$34.00	\$34.00		\$136.00
Late Fee*	\$50.43	\$40.92	\$32.49			\$123.84
Zoning Fee					\$17.00	\$17.00
Non-Compliance Surcharge	Not assessed if taxpayer responds within thirty (30) days.					
Processing Fee					\$25.00	\$25.00
TOTAL:	\$84.43	\$74.92	\$66.49	\$34.00	\$42.00	<b>\$301.84</b>

**\*Waived in a Tax Amnesty Proposal**

## **Element 2: Compliance Education and Outreach**

The City of San Diego—to the credit of the Treasurer's office—has become very good at its compliance enforcement for the Business Tax Certificate and the Rental Unit Business Tax. For example, the state's AB63 Local Government Sharing Program has allowed the city to access tax records from the state's Franchise Tax Board—thus increasing the number of individuals being fined. For the Rental Business Tax, the City has made aggressive use of data from the County Assessor's office—using discrepancies in mailing addresses vs. property addresses to flag individuals possibly subject to the tax.

While the enforcement efforts of the city are commendable, the city should be as aggressive in its public education and outreach efforts. Consistent with that, I am asking the City Treasurer to devise an outreach campaign which would, at the least, include working with City TV to create a 5 minute PSA that could run on the city channel for the purpose of educating the public on the requirements of the two taxes.

In addition, my City Council office will be working with Business Improvement Districts, local business groups, civic groups and other organizations to raise awareness of the tax programs. We stand ready to help other Council Offices with their outreach efforts as well.

### **Element 3: Public-Private Partnerships**

In conjunction with its Tax Amnesty and Tax Holiday initiatives, the City of Anaheim utilized several partnerships to support their small businesses. One partnership with the Anaheim Chamber of Commerce provided free memberships to new small businesses where they could access a wide array of support services. In addition, the local utility in Anaheim waived their initial hook-up fees. These kinds of partnerships can have a significant impact on helping small businesses succeed in their first year of operation.

I'm pleased that the North County Chamber of Commerce has agreed to participate in such a program for small businesses operating within District 5. To take advantage of this offer, a formal linkage between the Business Tax Certificate program and this Chamber is now needed.

I'd like to request that the City's Small Business Advisory Board study and recommend additional partnerships that could be formalized between the city and outside groups. As small businesses enroll in our Business Tax Certificate program they would be referred to these supporting partners for free or discounted assistance in getting started with their business activities.

### **Element 4: Regulatory Relief Proposals**

During the 1990s, the Mayor and City Council convened several public hearings for the sole purpose of receiving complaints and suggestions from city small businesses on how to make San Diego more business friendly. Unfortunately, the last such day was held in 1998—and the city is long overdue for another listening session. Working with the City's Small Business Advisory Board and other interested parties, the City Council should organize another "Regulatory Relief Day" in 2009 to review possible reforms.

During these tough economic times, I believe that the City of San Diego can and should do more to help small businesses and the self-employed. Given the significant level of complaints received regarding the Business Tax Certificate and the Rental Unit Business Tax programs, I am convinced we can operate these two programs in a more jobs-friendly and service-oriented way. I look forward to working with the Mayor and City Council to achieve improvements on these issues.

## **Attachment 1:**

### **AB63 Local Government Sharing Program Frequently Asked Questions (FAQs)**

#### **What is the AB63 Local Government Sharing Program?**

The AB63 local government sharing program is a lead source which many cities in the State of California have been utilizing since 2002. Per Assembly Bill 63 (Cedillo), the California State Franchise Tax Board (FTB) is now authorized to disclose certain records related to business activities of residents, corporations, and other entities within the City of San Diego. By matching the FTB data to our existing records we now have an additional effective tool to identify unregistered businesses within the City of San Diego.

#### **Why did I receive a notice letter from the San Diego Office of Small Business?**

Our records indicate that you, your spouse, or the named entity referenced in the notification letter are reporting some type of business activity to the State Franchise Tax Board using a City of San Diego address. This indicates that you **may** be operating a business in the City that has not yet obtained a Business Tax Certificate (BTC).

**Note:** Joint filers (non-entities) may receive the notification letter addressed to both names listed on the tax return, even though one individual may have the Business Tax liability.

#### **Why did I receive a Notice of Tax Liability statement?**

Individuals that do not respond to the initial notice letter from the San Diego Office of Small Business within the 30 day period are later issued a Notice of Tax Liability (NTL) statement which includes a \$68.00 Non-Compliant Surcharge.

#### **Does anyone verify the information before sending out notices?**

Yes. Prior to sending out notices, information records from the FTB are compared against the City's Business Tax database. If no match is identified, the City's Business Tax Compliance Division sends out notices to notify the potential business that a BTC is required. If we discover that the potential business already has a current BTC or it is determined none is required, the Compliance Division cancels the account and waives all fees.

#### **If the City's BTC doesn't regulate businesses within the City, what is its purpose?**

The City of San Diego's Business Tax is a self-reporting tax on the privilege to conduct business within the City. The Business Tax assessment also raises revenue for the City's General Fund which provides Police/Fire protection, street maintenance, libraries, parks, and other city services.

#### **I already have a BTC with the City of San Diego, but I received an NTL. What should I do?**

If such is the case, you may respond via U.S. mail, fax, or email. Please be sure to list the account number that appears on your current BTC as well as the reference/notice number.

**Important Note:** If the notice was mailed to a separate legal entity from the one named on the BTC, the entity may be subject to pay its own business tax. A BTC is typically required for each legal entity that conducts business within the City's limits.

### **How long do I have to respond to the notification?**

Please refer to the Office of Small Business letter or Notice of Tax Liability statement received for the specified due date, and please be aware that if you have a City of San Diego Business Tax liability and do not respond, interest and penalties will continue to accrue. To file in a timely manner and avoid interest and further penalties, the balance must be paid or a response must be received by this office.

### **What happens if I do not respond?**

If you do not respond, your account will be forwarded to the City's Collections Division, where you may incur additional penalties, fees, and court costs.

### **I do not consider myself to be in business. What does the City of San Diego consider to be a business?**

The SDMC (§31.0110) states:

*"ENGAGED IN THE BUSINESS," "PROFESSION," "OCCUPATION," "OPERATION," OR "PRACTICE" shall include owning, conducting, operating, managing or carrying on of a commercial or industrial enterprise through which services or property are sold, furnished, or constructed."*

### **I receive a 1099 form instead of a W-2 for my work. Am I subject to the City of San Diego's Business Tax requirement?**

The SDMC (§31.0301) states:

*"Every person engaged in any business, trade, calling, occupation, operation, franchise, vocation, profession or other means of livelihood, as an independent contractor and not as an employee of another and not specifically taxed by any other business tax code of The City of San Diego, shall pay annually a business tax."*

A person who is an employee and whose compensation is reported on a Federal Form W-2 is not in business and is not subject to the business tax. However, those that work as an "independent contractor" and/or are paid by 1099 may be subject to the City of San Diego's Business Tax requirement. This may include but is not limited to Police regulated businesses, State Contractor's Bureau licensees, consultants, lawyers, artists, authors, writers, etc.

As an independent contractor, for tax purposes you are considered a separate business entity rather than an employee. Business & Professions §16300 requires the City to use the way in which a taxpayer reported income/expenses to the State to create a presumption as to whether that taxpayer acted as an employee or as a separate business entity. If your employment income comes from anything other than a Form W-2 (such as a Form 1099-MISC), then you are considered a separate business entity, and are therefore subject to the City's Business Tax requirement. The City's Business Tax requirement includes but is not limited to Police regulated businesses, State Contractor's Bureau licensees, consultants, lawyers, artists, authors, and writers.

### **I conduct a business from my home. Am I subject to the City of San Diego's Business Tax requirement?**

Yes. Home-based businesses are subject to the City's Business Tax requirement. In almost all cases, businesses located within the City of San Diego are subject to the Business Tax whether they are located at a commercial or residential location.

**Throughout the year, I am involved in consulting on a part-time basis. Am I subject to the City of San Diego's Business Tax requirement?**

Yes. Businesses both large and small are required to obtain and annually renew their BTCs in order to be in compliance with the SDMC.

**I operate a childcare service. Am I subject to the City of San Diego's Business Tax requirement?**

Any person conducting business as a childcare provider is required to obtain a City of San Diego BTC. However, if you are conducting business as a Small Family Day Care licensed for 8 children or less through the State of California, the daycare is exempt provided that you furnish our office with a current copy of your state license for verification. In order to expedite your exemption, fax our office a copy of your current state license and reference the notice number listed on your NTL statement.

Your request may be faxed to (619) 533-3274, **ATTN:** Business Tax Compliance Division.

**I own a residential or commercial property that I lease or rent out within the City of San Diego. Is that considered a business?**

Possibly. The revenue collected from such properties located within the City is considered business income earned and is taxable under the SDMC. If the City's Business Rental Unit Tax has already been paid for the residential property in question, please **contact us** to discuss whether your business is still subject to the Business Tax requirement.

In reference to a commercial property, the tax typically only applies if you have a management office (business or residence) located within the City's limits. Please **contact us** to discuss whether your business is still subject to the Business Tax requirement.

**I live in San Diego but my business address is located outside the City's limits. What are my liabilities for the City of San Diego's Business Tax?**

Generally, if **all** business activity is conducted outside of the City of San Diego, there is no liability for the City of San Diego Business Tax. To assist us with this determination, please contact us.

**What if I received this notification and I no longer have a business?**

If you previously conducted business in the City of San Diego and never filed a BTC, please provide us with a letter outlining the years that you conducted business in the City. We will adjust the billing accordingly and mail you an adjusted billing statement. Once the balance is paid in full, we will cancel the account.

**I am liable for City Business Tax for the past several years. What kind of interest and penalties are involved?**

The City collects back taxes owed from the start of business. Per the SDMC §31.0110, the City may seek principal, interest, and penalties for the current tax year and the prior three years if applicable. Further, “Business taxes are past due on the fifteenth (15<sup>th</sup>) day following the day they become due. Any person who fails to make a payment before the fifteenth (15<sup>th</sup>) day following the due date will be assessed a late penalty of twenty-five dollars (\$25) or ten percent (10%) of the total business tax due, whichever is greater. In addition, beginning one calendar month from the due date, a penalty charge of one percent (1%) per month, or any part of a month, will be added to any past due taxes and penalties.”

**I was unaware of the Business Tax requirements for the City of San Diego and my business has been in operation for some time. Am I still subject to any late fees?**

Yes. All non-compliant Business Tax accounts are subject to penalty and interest assessments.

**If I have a business that needs to be registered but the notification was addressed to the previous owner, what do I do?**

If you are the new business owner and need to apply for a BTC, please contact us so we may assist you.

**I do not feel I conduct business in the City of San Diego or none of the aforementioned situations apply to my case, what remedies are available to me?**

You may mail, fax, or email our office a letter outlining the reasons for why you feel the Business Tax assessment does not apply to you. Please be as thorough as possible, reference your notice number, provide a contact email/ mailing address, and include any relevant supporting documentation. Send your letter to **ATTN: Business Tax Review Request**. Your letter will be reviewed and a determination will be issued.

**How do I contact the Business Tax Compliance Division?**

**Office Location:**

Office of the City Treasurer  
1200 3<sup>rd</sup> Avenue, Suite 100  
San Diego, CA 92101  
Business hours: Monday through Friday, 8:00 a.m. to 5:00 p.m.

**U.S. Mail:**

City of San Diego  
Office of the City Treasurer  
Business Tax Compliance Division  
P.O Box 122289  
San Diego, CA 92112-2289

**Phone:** (619) 615-1539

**Fax:** (619) 533-3274.

**Email:** [compliance@sandiego.gov](mailto:compliance@sandiego.gov)

Note: Applications are only accepted via mail or in person.



**Attachment 2:**

**Franchise Tax Board (FTB) Program Revenue Data, FY 2008**

FY 2008 FTB Revenue													
Calendar Year													
	2007						2008						
	July	August	September	October	November	December	January	February	March	April	May	June	Total
Large Business Tax	\$1,208	\$6,019	\$8,085	\$620	\$753	\$1,235	\$385	\$2,852	\$1,271	\$4,128	\$3,896	\$10,262	\$40,714
Late Fee Penalty	\$146,592	\$181,626	\$70,323	\$11,903	\$6,373	\$4,039	\$17,818	\$74,558	\$85,736	\$98,434	\$117,987	\$100,207	\$915,596
Small Business Tax (SBEP)	\$92,890	\$112,413	\$43,872	\$9,659	\$5,573	\$8,093	\$10,471	\$44,336	\$55,457	\$62,436	\$82,429	\$96,106	\$623,735
Small Business Tax (General Fund)	\$65,895	\$79,727	\$31,014	\$6,200	\$3,516	\$5,434	\$7,326	\$31,564	\$39,071	\$44,385	\$57,720	\$67,677	\$439,529
Small Business Tax Total	\$158,785	\$192,140	\$74,886	\$15,859	\$9,089	\$13,527	\$17,797	\$75,900	\$94,528	\$106,821	\$140,149	\$163,783	\$1,063,264
Processing Fee	\$32,254	\$37,960	\$15,245	\$2,822	\$1,540	\$4,303	\$7,197	\$19,047	\$18,290	\$21,606	\$32,192	\$47,796	\$240,252
Surcharge	\$78,255	\$98,563	\$40,900	\$11,308	\$7,057	\$3,664	\$4,103	\$14,081	\$14,688	\$13,938	\$18,845	\$19,357	\$324,759
Total	\$417,094	\$516,308	\$209,439	\$42,512	\$24,812	\$26,768	\$47,300	\$186,438	\$214,513	\$244,927	\$313,069	\$341,405	\$2,584,585

### **Attachment 3:**

## **Media Background on Anaheim and Los Angeles Tax Holiday and Amnesty Programs**

**From the Los Angeles Times:**

### **Businesses in Anaheim Get a Break**

By [Lomi Kriel](#)

[June 18, 2005](#) *in print edition B-3*

Coasting on the success of a similar cost-cutting initiative for property owners last year, Anaheim officials say a 100-day waiver of fees for business owners will benefit the city's economy and, over time, generate more revenue for its coffers.

The waiver certainly sparked some excitement for Fred Bretz, who was starting a children's party business called A Jump in Time. "I went in [to City Hall] with the intent to pay whatever the fee was, but it turned out it was waived," he said. "I was pretty excited."

More than 520 businesses so far have benefited from the city's business tax holiday – a pet project of Mayor Curt Pringle who touted it as a priority in his State of the City address.

The City Council approved the fee waiver 4 to 1 in March. Councilman Bob Hernandez objected, arguing it wasn't enough of an incentive for business owners and favoring an elimination of the license fees altogether.

The program exempts businesses formed from April 15 to July 29 from paying their initial business license tax, application processing fee and home occupation registration fee, saving an owner an average of \$133.

"It might not be so significant for a midsize business, but for a start-up business, it is," Pringle said, adding that the fee cut might motivate residents thinking about starting a business.

Since the start of the program, 326 new businesses have benefited, saving owners – and costing the city – \$43,467.

Also to benefit are 198 existing businesses, which started without being properly licensed and have saved more than \$50,000 from the program's amnesty that allows the owners to acquire licenses without paying late fees.

When the fee break ends in six weeks, the city expects to forgo about \$230,000 in income, Anaheim's planning director Sheri Van der Dussen said.

But waiving the fees will generate more money for the city in the long-term by sparking an influx of business, city spokesman John Nicoletti said. The dozens of new companies will create more jobs, he said, and fuel spending as small business owners buy such essentials as computers and cars.

“All of these things will result in more spending for the city, so we don’t actually lose any money,” Nicoletti said.

For Bretz, at least, the future of A Jump in Time is anything but modest. He predicts it will grow “anytime next year” but could happen “as soon as tomorrow.” Ultimately he harbors grand visions of competing against Chuck E. Cheese’s but, “I’m not willing to share the details yet,” he said laughing.

A first-time entrepreneur, Bretz is a hotel bellhop and describes himself as “a kid person.”

“I see kids and families every day on a regular basis anyway,” he said. Helping with their parties will be a “really nice way to connect with them.”

The waiver is of particular benefit to small businesses – most of which fail within five years because of a lack of planning and capital, according to the United States Small Business Administration. At the same time, small businesses generate 60% to 80% of new jobs.

About 10,000 of Anaheim’s 14,000 businesses have 10 or fewer employees, and removing even a small cost for them will help them succeed, said Todd Ament, president of Anaheim’s Chamber of Commerce.

The program is modeled after last year’s home improvement holiday, in which the city waived plan-check and permit fees for residents remodeling their homes, sparking \$28 million in home improvements in 100 days, including 111 new swimming pools and 1,548 expansions.

As part of this year’s initiative, the Chamber of Commerce is offering new businesses a free one-year membership. Anaheim Public Utilities also is suspending its connection fees, which can range from \$10 to \$40. Business owners can appreciate the instant savings “without having to fill out a rebate application,” utility spokesman Mike Ebbing said.

**From the Los Angeles Times:**

## **Leniency Urged on Business Tax Issue**

By [Tina Daunt](#)

[December 07, 2002](#) *in print edition B-1*

After fielding thousands of frantic and angry calls over the last two weeks, city lawmakers are considering granting a reprieve to people who received a letter from the Los Angeles Department of Finance demanding back business taxes and fees.

Councilwoman [Wendy Greuel](#) sent a letter to department Director Antoinette Christovale requesting that City Hall accountants forgive hefty late fees against business owners, freelancers and independent contractors who didn't know they owed the city money.

Greuel is also asking that the city give letter recipients more time to file paperwork seeking to prove that they are exempt from city taxes.

That would be welcome news to Elizabeth Ginsburg, a retired teacher who works as a researcher for an author to supplement her fixed income. She said she showed up at City Hall at 8 a.m. the day after she received her notice to pay.

"I collided with umpteen others waiting for their opportunity to complain," she said, adding that only two clerks were on duty to handle the rush.

Ginsburg said she was told that she owed the city \$381 plus a late fee for the last three years, for a grand total of \$500. She filed a request to have the late fee waived and paid the balance of the bill with a credit card.

"As I left the office, I was joined by an elderly couple who take clippings from plants, pot them and sell them occasionally at street fairs," Ginsburg said. "They were pathetically fearful and frightened of what could happen. What kind of society are we turning into?"

Ginsburg said she went home and wrote a letter to Mayor James K. Hahn.

A few days later, she received a response that read, in part, “Your correspondence is greatly appreciated and will be forwarded to the appropriate staff member and considered in all related matters.”

The whole thing is an “outrageous debacle,” Ginsburg said.

A spokesman for Hahn said Friday that the letters were sent out with the mayor’s blessing because Hahn believes it is important for the city to crack down on businesses that don’t pay their taxes.

“We need business-tax enforcement to make sure that law-abiding businesses do not carry the burden for scofflaws,” said Deputy Mayor Matt Middlebrook.

He added that people doing business in the city were given plenty of notice over the last few years that Los Angeles was planning to crack down on people who do not pay their civic taxes.

Under city codes, any individual, business or corporation earning at least \$5,000 annually as an independent contractor is required to obtain a city business license and pay taxes on revenue. The tax liability ranges from \$1 to \$5 per \$1,000 earned. Those who don’t pay their bills are required to pay late fees of up to 40% of taxes owed.

Previously, the city had no ability to identify small businesses operating in Los Angeles. But a new state law that took effect in January changed that. Now California cities can request access to information that residents include on their state tax returns.

For example, if a person files a state tax return claiming more than \$5,000 in income as an independent contractor – even if it’s for baby-sitting, freelance writing or piano lessons – the city can demand its share. Recently, Los Angeles officials went to the state Franchise Tax Board, requesting information on anyone who filed a 1099 form for “independent contract” work in the city.

The state complied, handing over names, addresses and types of business – but no income information. Unsure of whether the people on the list earned \$5,000 or \$500,000, city bookkeepers sent out 151,000 letters warning recipients that they “may owe business taxes for conducting business within the city.”

“No person shall engage in any business or occupation subject to tax without obtaining a registration certificate and paying the applicable tax due,” Christovale wrote in the letter.

She went on: “Failure to respond to this notice may result in further enforcement action, which may include the filing of a criminal or civil complaint by the city attorney’s office.”

Christovale listed a phone number for residents to call if they had questions. The phone lines quickly became jammed. More than 12,000 calls were logged from people who were lucky enough to get through. For days, people lined up outside the Finance Department’s office seeking answers.

One man who received a letter said he was recently laid off from a staff position as a video editor and brought back on a part-time freelance basis, working four days a week with no benefits.

“Now the city wants to take its turn,” he said. “It’s really a cheap shot.”

Another man complained that a letter was sent to his deceased father.

Fred Gaines, chairman of the Valley Industry and Commerce Assn., said his organization has received so many complaints from its members that the group launched an “ax the tax” campaign, with a Web site where people can share their concerns. Greuel is scheduled to bring her proposal to the City Council next week.

The councilwoman said she also plans to summon Christovale and her staff to the council chambers to discuss the letter, which warned residents to pay up or face charges.

Christovale, who was out of the office Friday, could not be reached for comment.